



September 10, 2020

The Honorable Dustin Burrows  
Chairman, House Committee on Ways & Means  
Texas House of Representatives  
P.O. Box 2910  
Austin, Texas 78768-2910

Re: Interim Charge 3

Dear Chairman Burrows:

In regard to Interim Charge 3, I am writing to express the City of Killeen's support for the Comptroller's sales tax sourcing rule to become effective October 1, 2021. The shift from origin to destination would have a significant positive financial impact in our community and would be a major step in reducing the reliance on property tax and easing the disproportionate impact of veterans exemptions.

Killeen is the 19<sup>th</sup> largest city in Texas with a population estimated at 153,973 and growing; however, it ranks 54<sup>th</sup> of all Texas cities in sales tax revenue per capita. Our per capita sales tax collection is \$166 per year compared to the \$289 average per capita collection for all cities in the state, normalized at 1-cent.

Killeen does not have a large sales tax generator like Dell in Round Rock or Best Buy in San Marcos. For comparison, the per capita collections in those cities are \$665 and \$553 respectively. We also don't have Chapter 380 economic development agreements rebating millions of dollars in sales tax collections to private businesses. What we do have is a significant number of people living in our community who depend on city services but whose sales tax dollars under current rules are supporting people and projects in other cities.

Property tax is the primary source of revenue for Killeen's general fund budget, which supports essential public safety and quality of life services. Property tax accounts for 37 percent of revenue while sales tax makes up just 26 percent. As the marketplace continues its shift to Internet sales, the gap in tax revenues widens putting increased pressure on property tax because it is the revenue source that remains in the community.

It is important that I remind you of the disproportionate impact of veterans exemptions in Killeen and the tremendous current and growing strain this is causing on our local budget. This state-granted benefit has removed \$1 billion of property from our ad valorem tax base reducing our property tax revenue for the coming year by \$7.2 million, or 12.5 percent. This equates to 11 cents on the tax roll. The demand for services by these veterans does not go away, rather the tax burden is shifted to the non-exempt taxpayers. Bringing sales tax revenue back to our city through destination sourcing would have an immediate beneficial effect on this mounting problem.

While the shift of sales tax sourcing from origin to destination would significantly increase revenue in cities like Killeen, we recognize that not all cities would be positively impacted. The purpose of a local sales tax is to generate revenue to provide services to the population in a local jurisdiction. The COVID-19 pandemic has shined a light on the detrimental impacts under the current rule of forcing purchases online. The population remains in the destination city while the sales tax revenue is sent to those cities fortunate enough to be origin locations.

Few cities have major sales tax generators, but all cities are made up of people who expect and deserve municipal services. When sales taxes leave the community, the community must rely more heavily on property taxes. True property tax relief depends on sourcing sales taxes to destinations.

Sincerely,

A handwritten signature in black ink, reading "Hilary J. Shine". The signature is written in a cursive, flowing style.

Hilary J. Shine  
Executive Director of Communications and Legislative Affairs